



As reprinted from 06/10/2008

Outlook good for Benson economy

Although indicators point toward recession at state and national levels, Benson City Manager Martin Roush said Thursday the city economy is stable and would remain that way.

Roush delivered an optimistic address to a packed crowd that included local, county and state elected officials, and members of the business sector from Cochise and Pima counties at the 11th annual Benson Economic Forum hosted by Cochise College Center for Economic Research.

The city manager said there is \$2.5 million in reserves and because there is so much talk of a recession the city will tighten its belt on spending.

State Treasurer Dean Martin, a guest speaker at the event, commended Benson city officials, stating it was good they planned ahead in slow economic times, noting that state lawmakers were not as wise.

Martin said Arizona lawmakers are facing a more than \$1.6 billion deficit in planning the 2008-09 budget, and if the state House of Representatives, the Senate and Gov. Janet Napolitano do not come to a consensus by July 1, there could be a government shutdown.

"The fundamental problem was spending continued and they borrowed from the rainy day funds," Martin said. "Revenues continued to decrease, and now we have a problem."

Martin said Arizona is facing many problems, comparing the state and national economy to a roller coaster.

"To look at the real picture here you should drive by a Starbucks," Martin said. "If people are still willing to pay \$4 for a cup of coffee, it's not that bad of a recession. You really need to get worried when the Starbucks is boarded up, or if McDonald's is boarded up because that means people can't even afford the 99 cents for a cup of coffee."

The state has the highest foreclosure rate in history, and Martin said that goes to the supply and demand factor.

"We were the second-fastest growing state in the nation and they built too many houses," he said. "With so many there is no demand."

Martin expects the state housing market to hit its lowest point in November or December of this year, and projects it will not fully recover until 2014.

"The housing market got us into this and it's going to be the housing market that has to get us out of it," he said. "The bigger problem is that our housing market cannot recover until it does at the national level. Right now it's in the crash phase and it will not begin to recover until 2010 or 2011."

While the housing market is causing concern at state, national and most of Cochise County, Robert Carreira, director of Cochise College Center for Economic Research, said Benson remains stable.

There are currently 17 residential developments planned for the Benson area that could add more than 6,500 homes.

In 2006, the city saw more new growth than it had in all of 2001-2005, with 104 new home permits issued.

There was a significant drop in 2007 with 25 permits issued, but there is already an increase in the first months of 2008 with 41 new homes on tap.

Roush said these numbers are encouraging and anticipates Benson will weather the storm and continue to prosper. The second-year city manager said there are fewer homes on the market and there are no supply and demand issues in the city, which has a population of about 5,164.

Up just over 3 percent from last year, Carreira said Benson was the fastest-growing city in Cochise County for 2007.

Martin said Benson was lucky in the housing market, because they avoided what is being called the market boom in 2005 and 2006. The state treasurer explained that during those two years houses were being snatched up and higher values and loans were being granted to anyone.

By getting a late start regarding the housing developments, especially Whetstone Ranch, Martin said the city would likely remain stable.

While the housing market is playing a big picture in Benson's future, Carreira said it's the Wal-Mart effect that has really stabilized the city over the last two years.

Sales tax revenues increased last year by 38 percent in Benson, which Carreira said helped offset the blow to the county economy, which experienced decreases in several areas. The supercenter also created 250 jobs. The retail giant draws shoppers from Cochise, Graham and Pima counties, Carreira said.

But with increasing gas prices, Carreira expects that Wal-Mart would probably feel somewhat of an effect because people may not be as eager to drive long distances to shop.

The gas prices, inflation and other factors have also decreased restaurant and bar sales, which is lacking at the county and city level.

With indicators pointing toward recession, Carreira said in the coming year he expects people to cut non-essential spending, be hesitant to make big purchases and that Benson, like the county, could see decreases in several areas.

Another factor to consider with a slowing economy is the tourism industry and how inflation and gas prices will determine how families travel.

Roush said he is stepping up advertising Benson's attractions by distributing 50,000 brochures statewide, advertising in 18 publications and giving the Benson/San Pedro Valley Chamber of Commerce \$35,000 to create annual events that will draw visitors.

Martin said gas prices play a major factor because families are less likely to fly because rates continue to skyrocket or drive as gas prices near the \$4 a gallon mark.

Finding attractions and events to visit nearby may be an alternative for residents, Martin said.

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